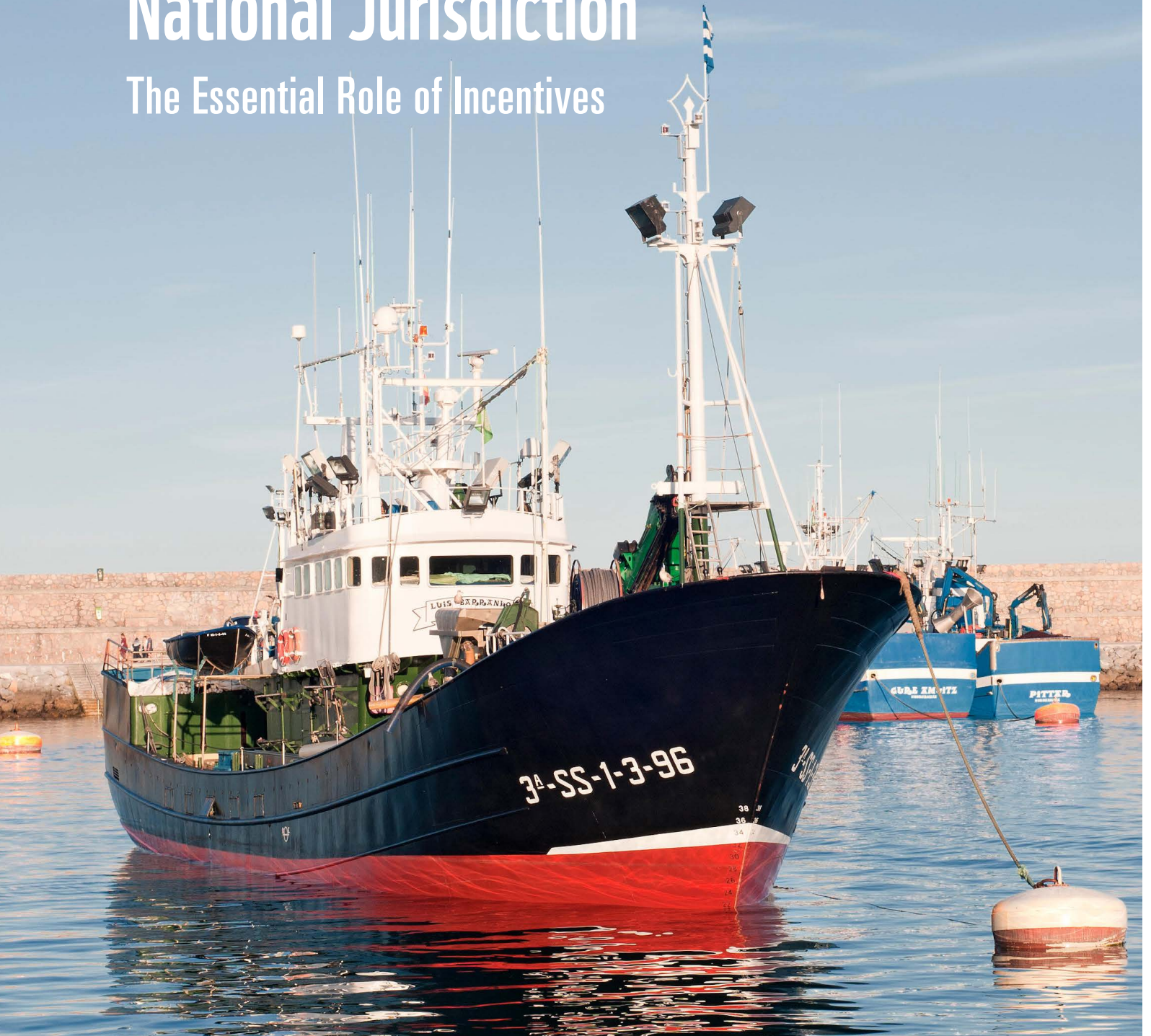


Governance of Fisheries in Areas Beyond National Jurisdiction

The Essential Role of Incentives



INTRODUCTION

Fisheries that intersect with the high seas, or areas beyond national jurisdictions (ABNJ), are ecologically, institutionally, and politically complex. These fisheries generate enormous economic and social benefits, and have the potential to generate even greater benefits and wealth under improved management regimes that incorporate incentives. At the same time, incentives — because they affect fishers across jurisdictions where international legal instruments are weak or non-existent — can affect cooperation of States and/or fleets in RFMOs or sub-regional management in ways that complement legal instruments.

The main international instruments for ABNJ fisheries are the United Nations Convention on Law of the Sea (UNCLOS) and the UN Fish Stocks Agreement (UNFSA). Governance gaps within UNCLOS, UNFSA, and other international legal instruments are well recognized. While the need for incentives is critical to make up for the gaps in governance, the gaps themselves and the multilateral nature of ABNJ fisheries management make it difficult to achieve first best solutions. Thus, a new theory of change for ABNJ fisheries is needed. The Common Oceans Global Think Tank (GloTT) under the World Bank's Ocean Partnerships Project (OPP) responded to this charge.

This brochure is a summary of a publication prepared under the auspices of the GloTT and funded by the Global Environment Facility under the Common Oceans program. The GloTT report found that there is no single intervention that will solve the complex problem of ABNJ fisheries. The first step is to segment the problem into manageable parts and then sequence a “Smart Mix” of interventions that include incentives and scaling up over time. The nine principles discussed in this report can guide the application of Smart Mix interventions into the management of ABNJ fisheries. These principles are a positive way forward in complex, adaptive systems where no single entity is in control and there is a critical need for change. The full GloTT report is available upon request.



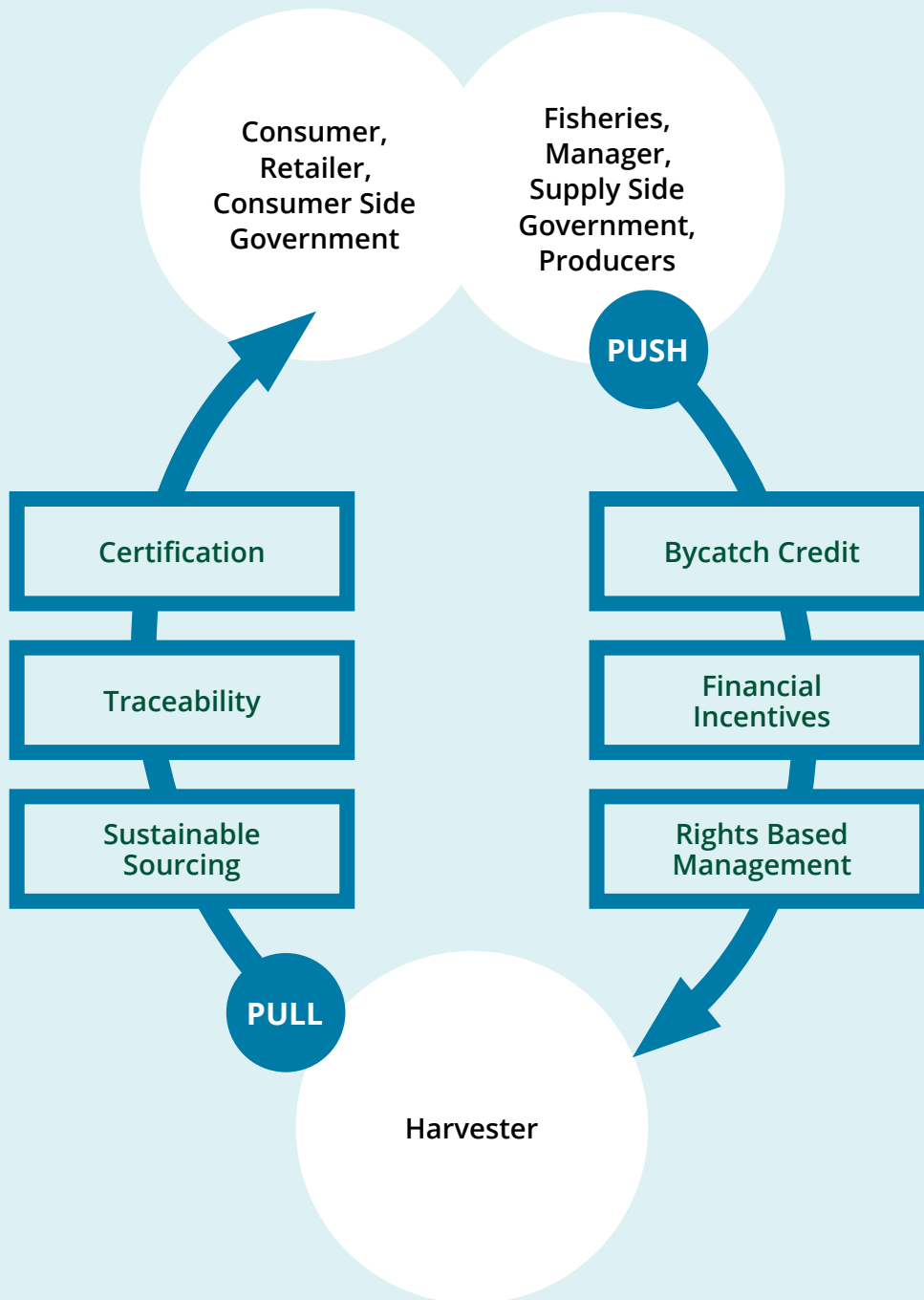
Effective intervention points are those where changes adopted by a smaller number of influential actors can have greater systemic impacts on the behavior of a wider range of actors up and down the global supply chain.

INCENTIVES BASED APPROACHES

Pull incentives are based on buyer (i.e., market) demand for products with a verifiable claim of sustainable or responsibly produced seafood. These instruments include sustainable sourcing commitments from retailers and consumer-facing certification schemes, such as the Marine Stewardship Council (MSC), that seek to engage buyer (consumer and retailer) purchasing practices.

Push incentives focus directly on the production side of the seafood supply chain. These incentive-based interventions include, but are not limited to, financial incentives (e.g., favorable interest rates on loans with requirements to provide data or adopt other

Figure 1. Push Versus Pull Incentives



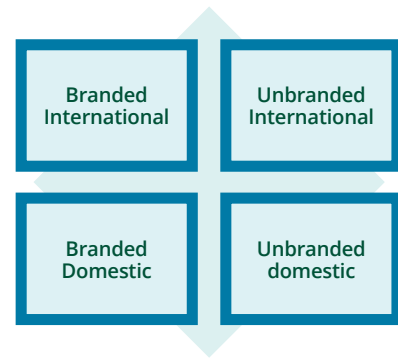
sustainability measures), bycatch and other environmental credit systems, Coasian bargaining, and rights-based management (RBM). Push incentives directly impact the operating margin of harvesters and/or the value generated for States that lease access rights. Credits for avoiding bycatch, for instance, increase the cost of catching fish that are discarded, creating an incentive to avoid bycatch. Push incentives are different than pull incentives, but remain related in that they share the goal of influencing the behavior of producers and/or the formation and enforcement of (State) management and regulation.

RIGHTS BASED MANAGEMENT

Managing resources under open access typically results in short-term exploitation at the expense of long-term sustainability. No one has tenure. No one has accountability or responsibility. RBM programs, however, allow an entity — whether person, company, fishing vessel, community, or village — to fish in a particular place at a particular time. By conveying and managing exclusive entitlements, RBM programs introduce elements of stakeholder responsibility, which in turn create incentives for long-term planning and stewardship.

MARKET INCENTIVES

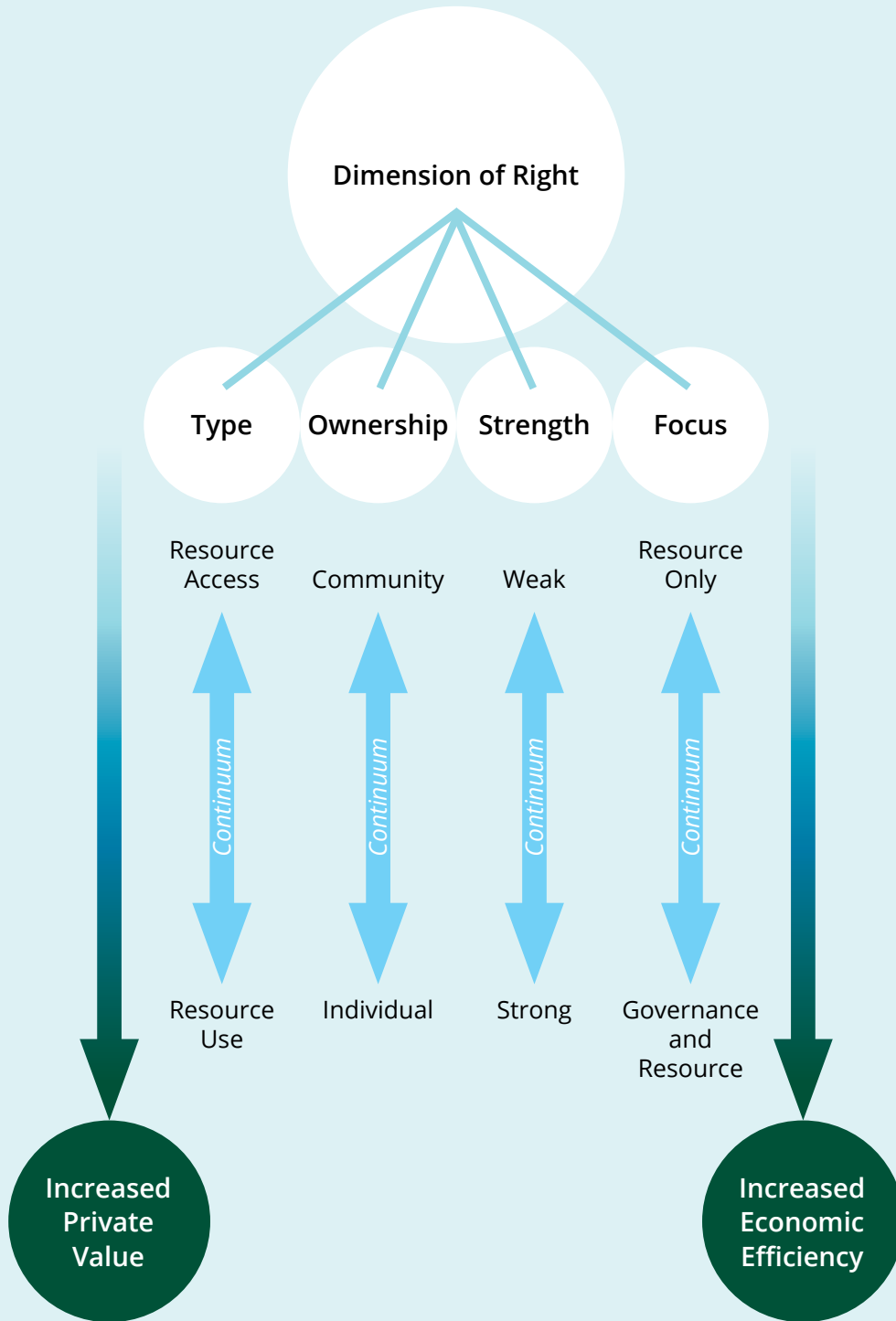
The Sustainable Seafood Movement includes sustainable-sourcing commitments or agreements by retailers, who are then rewarded with price premiums or some other market benefit. The effectiveness of these market incentives varies per category, with sustainably sourced-branded international being most effective and unbranded domestic least effective.



FINANCIAL INCENTIVES

Financing can be used for a range of purposes, and several investment formats and strategies are available. Financing can be used, for example, to support general business incubation, to fill credit gaps using debt — particularly helpful to transitioning fisheries (e.g., fisheries moving to RBM-auctioned quotas) — or to fisheries facing other short-term financial challenges. Investors can take ownership of fisheries through purchase of assets (including quotas), and then lease fishing options back to fishers. They also can use their investment to support sustainable sourcing and certification (e.g., Sea Change Investment Fund), whether directly or through leveraging private equity financial support. These equity investments can be secured over the longer term by locking sustainable practices into conservation covenants. Throughout, security of rights, a sustainable and profitable resource base, and general regulatory capacity remain critical requirements.

Figure 2. Design features that affect performance of RBM



Successful initiatives often combine or layer different sources of investment, and can add value by providing investor expertise and supporting business plan development. Specifically, investment packages involving multiple or sequenced investments can offer pathways for novel or challenging environments. Investors open to high risk, for example, for one part of the fisheries' transformation process (such as philanthropic groups seeking to stimulate social or ecological improvements) can generate data, clarity, and security for more risk-averse investors or for investors that focus on financial returns (e.g., private equity or banks). It is important that guarantors have a strong credit rating given the critical role they may have in underwriting higher-risk or more innovative investments.

Financing Options Available for Capture Fisheries

	Foundations	Government/Public	Blended Investors	Commercial
Grants	<ul style="list-style-type: none"> Grants for: <ul style="list-style-type: none"> Seeding new concepts Programs Technical Assistance Asset Purchase Operations 	<ul style="list-style-type: none"> State/federal/local grants Gear rebates Vessel buybacks New market tax credits 	<ul style="list-style-type: none"> Sometimes provided alongside a debt or equity investment 	<ul style="list-style-type: none"> Generally not applicable
Debt	<ul style="list-style-type: none"> Program-related investments (PRIs) Impact loans 	<ul style="list-style-type: none"> Small business loans 	<ul style="list-style-type: none"> Public- Private Partnership (PPP) Community Development Financial Institutions 	<ul style="list-style-type: none"> Bank Loans: <ul style="list-style-type: none"> Recourse or non-recourse Bridge, short-term, or long- term
Equity	<ul style="list-style-type: none"> Mission- related investments Endowments Structured PRIs 	<ul style="list-style-type: none"> World Bank social equity portfolios 	<ul style="list-style-type: none"> Social Investors Social Venture Capital Funds Social impact bond 	<ul style="list-style-type: none"> Angel Investors Venture Capital/ Private Equity Tax-Equity Investors
Guarantees	<ul style="list-style-type: none"> Underwriting facility (full or partial) 	<ul style="list-style-type: none"> Domestic investment underwriting (e.g., USAID) Bilateral and Multilateral development finance institutions Multilateral investment guarantee 	<ul style="list-style-type: none"> May be provided as part of an investment package 	<ul style="list-style-type: none"> Generally not applicable

Source: Adapted from Manta Consulting 2011. *Financing Fisheries Change*.



Smart Mixes for Effective Governance of Areas Beyond National Jurisdiction

The vast multi-disciplinary literature, insights, examples, and case studies the GloTT study draws upon led to development of these nine principles for utilizing “Smart Mixes” of regulatory and incentive-based tools (instruments).

<p>1.</p> <p>Select Smart Mix instruments on the basis of their compatibility and combined impact, rather than by their total number.</p> <p>Too many instruments in the mix can cause regulatory overload, while some instruments cannot exist without others.</p>	<p>2.</p> <p>Calibrate interventions towards points of least resistance, lowest cost, and maximum impact. Resources and capacity must target interventions at points where they will be most effective.</p>	<p>3.</p> <p>Sequence or scale interventions as necessary to achieve goals. This is especially important given the complexity of ABNJ fisheries.</p>
<p>4.</p> <p>Empower participants to act as surrogate regulators, and enable voluntary initiatives.</p> <p>Non State actors can and have influenced and improved fisheries management, reducing management costs for the State.</p>	<p>5.</p> <p>Maximize opportunities for net gain outcomes.</p> <p>Balancing gains against losses is at the heart of this principle. This entails structuring and enabling individual decision-making and action.</p>	<p>6.</p> <p>Consider and harness the responsiveness of stakeholders (i.e., bottom-up matters).</p> <p>An understanding of institutional and social contexts that enable or constrain fisher and State engagement can improve the targeting and effectiveness of interventions.</p>
<p>7.</p> <p>Consider top-down relationships, opportunities, and constraints.</p> <p>There needs to be compatibility of the complete intervention plan with existing regulations, legal constraints, unintended consequences, and spillover effects.</p>	<p>8.</p> <p>Assess and adapt Smart Mix interventions in light of their effectiveness.</p> <p>The system’s effectiveness should be holistically assessed at appropriate intervals and modified accordingly.</p>	<p>9.</p> <p>Assess opportunities for better interventions.</p> <p>Continue to assess follow-on impacts of current interventions and the impacts of new, external shocks to the system, such as changing market conditions and new technology.</p>

ABNJ fisheries are broad in scope and scale and composed of heterogeneous States and fishers with varied incomes and motivations. Risks, expected costs, speed of transformation, scale of investments, and returns from these fisheries are highly variable. As a result, there is no single solution or path; these nine principles are no prescriptive. Instead, these principles offer guidelines for managers and policymakers, and steer stakeholders through an adaptive process for effecting meaningful change.



About the Common Oceans Global Think Tank (GloTT). The GloTT is comprised of a diverse group of experts on the tuna industry, fisheries financing, economics, international law, management of tuna fisheries, and ecology of highly migratory fisheries. The GloTT publication summarized in this document analyzed lessons learned from the World Bank's Ocean Partnerships Project (OPP) regional business cases and two supporting technical reports. These technical reports covered topics such as applicable legal instruments, relevant institutions, incentives, and the performance of innovative programs in the convention areas of the five tuna regional fisheries management organizations (RFMOs). The new vision for ABNJ fisheries mixes State regulation and economic incentives in a way that achieves "smart," sustainable, and equitable management.

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For a full copy of the GloTT report, go to: <https://www.worldwildlife.org/projects/incentivizing-sustainable-fishing-on-the-high-seas>